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C O N F I D E N T I A L SECTION 01 OF 05 NICOSIA 000533

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TAGS: [PREL](#) [PGOV](#) [UNFICYP](#) [TR](#) [CY](#)

SUBJECT: CYPRUS: SOLUTION TALKS' FIRST-READING CONCLUDES,
UNSYG SA DOWNER AND LEADERS "CAUTIOUSLY OPTIMISTIC"

REF: A. AUGUST 4 PANICO-NETOS E-MAIL
[1](#)B. AUGUST 5 PANICO-NETOS E-MAIL
[1](#)C. AUGUST 6 PANICO-NETOS E-MAIL

Classified By: CDA Jonathan Cohen for reasons 1.4(b) and 1.4(d)

[1](#)1. (C) Summary: "I am still cautiously optimistic" UNSYG Special Adviser Alexander Downer told the Charg on August 6, hours after the end of the first reading of UN-brokered negotiations between Greek Cypriots (G/C) and Turkish Cypriots (T/C) that commenced in September 2008. Downer previewed his expectations for the second reading, set to start on September 3, with seven meetings scheduled through October 2. G/C leader Demetris Christofias and T/C leader Mehmet Ali Talat, he said, plan to tackle the election of the executive (governance), then move to property, while their representatives deal with ancillary issues. If convergence could be achieved in these two chapters, he said, then the economy and EU affairs chapters should "fall into place." The discussion of territory, however, would be a "very bloody affair", he warned, and Turkey would insist on retaining some kind of intervention rights under the Treaty of Guarantee. Overall, he believed the sides had a common vision of a post-solution Cyprus--a "small and weak" federal government with two robust constituent states--but could not yet admit this. Downer has urged both leaders to stop "wasting time" on "history lessons" and urged them to put a "positive public spin" on their efforts, which both did in their public remarks that day. Downer has "cautious optimism" in the leaders' ability to conjure a "yes" vote from their respective communities in eventual referenda, but warned that implementation of a solution would bring "crisis after crisis" and urged the USG to start preparing itself for this possibility.

[1](#)2. (C) Summary Continued: Downer, who on August 5 had summoned the UK and U.S. Chargs to help calm a nasty dust-up regarding the road route of the Limnitis/Yesilirmak crossing point (Ref E-Mails), thanked the Embassy for its intervention, adding that the process had been "absolutely on the edge" for a couple of days. He said the best role for the U.S. in the next phase would be to continue to publicly support the process and to remain available to intervene with the sides when they or the UN request it--as in the case of Limnitis. End Summary

Focus on Governance and Property in Second Reading

[1](#)3. (C) Downer told the Charg he hoped that the second reading, set to commence on September 3, would move much faster than the 11-month first reading, which witnessed forty meetings between Talat and Christofias. He said that while

there were still organizational matters to discuss on September 3, the leaders had agreed to focus the second reading first on governance and power sharing (election of the executive), then move to property. For their part, the two lead negotiators, George Iacovou and Ozdil Nami, will work on ancillary issues, and Downer hopes that the two can get the leaders to sign on to their ad referendum agreements prior to the leaders' meetings, thus allowing things to be done more quickly and efficiently. (Note: In the first reading, agreements were only made at the leaders' meetings, which often dragged Christofias and Talat into weedy details with which they were unfamiliar. End Note) He said that Nami had told him that the T/Cs would table a new proposal on governance early on, which Downer thought might be the abandonment of the Annan-era "Presidential Council" model in favor of a Presidential/Vice-Presidential system, the G/C position.

14. (C) Downer believes that the key to solving the property issue was a common law vice civil law approach. Common law, he said, combines the notions of precedent, statute, and, most importantly, justice for the occupant as well as for the original owner. Downer said that if the parties only use a civil law approach, as the EU (with the exception of the UK) generally does, they will be guided solely by statute and code and will never find a solution acceptable to the T/Cs.

15. (C) He was especially ebullient over his U.S. property lawyer, Jeff Bates, and complained about his previous property expert, a pleasant, if civil law-bound, EU bureaucrat. (Note: The UN facilitator for the Economic Working Group told us that Bates proposed a plan monetizing

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the appreciated value of GC-owned property in the north from its 1974 level. This appreciated value would become a security that could then be sold in the market by either the current occupant (if he were forced to move) or the GC-owner (if he gave up his property rights). As the facilitator noted, however, this does not solve the political question of who would have the right of first refusal, with the G/Cs insisting on the original owner, and the T/Cs demanding adjudication by an independent property board acting according to mutually agreed principles. End Note).

16. (C) Downer said that if the T/Cs are reassured that their equities in the federal executive will be protected, they will back away from insisting on many constituent state competencies and numeral equality in many federal bodies, opening up opportunities for deal making with the G/Cs. He added that if agreement could be achieved in these two chapters--the "biggest challenge" of the second reading--then issues like the economy and EU affairs, on which he claimed there was already much convergence, would "fall into place." The sides, he added, planned to skip over the presently intractable "territory" and "security and guarantees" chapters until the final "give-and-take phase."

Territory Chapter--"Very Bloody Affair"

17. (C) Downer said that the debate on territory would be a "very bloody affair." He said that while the T/Cs and the Turkish Cypriots (with the support of the Turkish military) are prepared to give up the abandoned, fenced-off city of Varosha, the return of the Karpaz/Karpas peninsula, another G/C demand that was not achieved in the Annan Plan, was a non-starter. (Comment: According to the UN Facilitator for the Territory Working Group, the T/Cs argued that the post-Annan building boom in the north drastically reduced open space needed for resettlement; consequently, any large-scale territorial give-backs would result in a "humanitarian" crisis. Such logic, he added, infuriated the G/Cs who saw a "moral equivalency" with their own 1974 displacement and wanted as many G/Cs to return under G/C

administration as possible. A Talat adviser told us that Turkey is against the return of the Karpaz/Karpas peninsula. He added that the Turkish Cypriots also do not favor the return of Karpaz/Karpas, but were at least willing to discuss it. End Note)

Turks might modify Treaty of Guarantee, Not Abandon it

8.(C) Downer thought that Turkey might modify its unilateral right of intervention under the Treaty of Guarantee to accommodate the new post-solution state of affairs, but doubted that Ankara would abandon it. (Note: His assessment tracks with everything we have heard from Turks and Turkish Cypriots, including polling. However, Christofias has passionately appealed to terminate the unilateral guarantees, either outright or by making them multilateral by including the UN or the EU. End Note). Greece would support the G/C position, including if it evolves. He thought that the UK, which has been largely silent on the issue, would "go along for the ride", but assumed London would also maintain its guarantor status. In response to the Charge's question regarding when to involve the three guarantor powers (UK/Turkey/Greece) in the process, Downer skirted the issue, replying only that "they did not necessarily need to be in the room" at any point.

"Settler" issue appears to lose its urgency

19. (C) Downer said that the "life" is going out of the "settlers" issue, short-hand for Turkish citizens who moved to the north post-July 1974 and are considered "illegal" by the RoC. (Note: The G/Cs fought unsuccessfully to make this a stand-alone negotiating chapter, but settled for its inclusion under "governance and power sharing." End Note) He said that Christofias, who even before the start of the preliminary negotiations had accepted the presence of 50,000 "settlers," was clearly trying to find modalities to solve the issue. He said that the sides had agreed to exchange information on population at their August 6 meeting. Downer said the possibility of offering a 10,000 Euro repatriation

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payment was being discussed as a vehicle to encourage anyone above the 50,000 to return to Turkey. He added that the G/Cs understood there could be no forced repatriation and was confident that sides could find an accommodation. (Note: Leonidas Pantelidas, the head of Christofias' Diplomatic Office, expressed similar, moderate sentiments to Embassy Officers on August 6. Nami and Talat, both publicly and privately, have said that all "TRNC" citizens would stay post-settlement. According to the 2006 T/C census, there are about 178,000 "TRNC citizens", of whom 120,007 had both parents born in Cyprus and might otherwise be considered RoC citizens. Under the Annan Plan, the Turkish Cypriots could not fill a quota of 45,000 settlers and came up only with around 42,000 names. Nami, however, told us that the 42,000 did not include those born in the north who would otherwise not be considered RoC citizens, i.e. children of a "settler" family. End Note).

Post-Solution Cyprus: "Small and weak" federal government

10. (C) Downer said that the sides shared a "realistic" vision of post-solution Cyprus, with, at least initially, a "small and weak" federal government. Most functions, he said, would be conducted in the two constituent states. He noted that the "weakness" of the central government would be necessitated by limited federal revenue based solely on value-added tax, half of which would go to shore up the constituent states. He said that the sides "basically agreed"

with each other, but were loath to admit this publicly.
(Comment: If accurate, Downer's assessment represents real progress. The G/Cs have traditionally, including hitherto in this round of negotiations and loudly in the press, fought for a strong federal government and dismissed anything less as unacceptably "confederal". Downer's Canadian governance expert foreshadowed this, telling us that the two communities, like French and English speakers in Quebec, would most likely end up living in "two solitudes" post-solution, at least initially. End Comment).

No history lessons, Accentuate the Positive

¶11. (C) Downer said that he told both leaders to "stop wasting" time at the Leaders' meetings over interminable and divisive historical debates on which they would never agree and urged them to put a "positive" spin on the talks in their public comments. Downer said that Christofias, whom he has characterized as "not robust" and surprisingly "sensitive to criticism" for a seasoned politician, had complained to him that every time he "utters something positive" the G/C "rejectionists" attack him. Downer had been unable with either Iacovou or Christofias to determine what public relations strategy would best help them politically. Consequently, Downer said Christofias' negativity was either meant to muffle domestic critics or as a negotiating tactic to pressure the T/Cs. He did not agree with Nami's theory, related by the Charg, that Christofias disliked the present process because he believed the result would resemble the Annan plan and would consequently be "unsellable" to the G/Cs. Downer, however, was heartened by Christofias' August 6 statement when, for the first time in months, the G/C leader voiced "cautious optimism" and admitted that there had indeed been some progress in the first round.

Going forward

¶12. (C) Downer repeated that he was "cautiously optimistic" about the prospects for the rest of the talks and for eventual referenda. He noted that the job of selling the deal in the run-up to the referenda clearly belonged to the leaders, not the UN Good Offices Mission. He dubbed the implementation of a solution a "massive job" that would bring "crisis after crisis" and warned us to be prepared. The Charg responded that we were aware of the task and had already started to figure this equation into our Mission strategic planning. Downer was unhappy that the Ambassador had raised with U/SYG Lynn Pascoe during their July 31 meeting the need for Downer to spend more time on the island, claiming that this had put him under "enormous pressure." The Charg responded that in the next phase there would be an increasing number of problems that only Downer could resolve

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and that the atmospherics were better on both sides when he was here. Downer said he would return for the first two leaders meetings (September 3 and 10) and then planned to be around "for most of October and November" for the end of the second reading and for the start of the purported "give and take" phase.

Limnitis/Yesilirmak Road Crisis Subsides...

¶13. (C) Downer thanked the Charg for the Embassy's "incredible help" in calming the sides the previous day regarding the Limnitis/Yesilirmak road route dispute per Ref E-Mails. He said the talks had been "on the edge of collapse" for a couple of days; with the G/Cs calling foul and pushing back fiercely over a T/C proposal to change the route of the road for the crossing point by 200 meters to

avoid a small military armory and camp. The G/Cs, he said, feared that this would cause a delay that would leave them vulnerable to rejectionists criticism. He said he tried to get the sides to agree at the August 6 Leaders' meeting to setting time limits for the construction project based on a planned feasibility study. Christofias was accommodating on everything regarding the Limnitis/Yesilirmak opening, including the time limit proposal, but would not, at least officially, budge on the T/C proposal to change the route.

¶14. (C) Downer added that the route change was clearly mandated by the Turkish Army to avoid civilian traffic passing next to the aforementioned Turkish military armory (part of a small base) astride the existing road. He dismissed as "pure rot" Nami's contention that the new route would be cheaper or quicker to implement, but said that in any case the "talks would either 'crash and burn' or be successful" before the road work could be completed. The important thing was to get it started quickly. Downer said that he met with Turkish Forces Commander Lt. General Hilmi Akin Zorlu, who made no secret of the fact that the road route change was a military demand. Downer told Zorlu that he needs "peace and quiet" going into the next phase of the talks and that Zorlu, with whom Downer said he had developed a good rapport based in part on their experiences in Afghanistan, responded "positively" without going into detail.

...With Possible Compromise Feasibility Tender

¶15. (C) UNFICYP DCM Wlodek Cibor told Poloff on August 11 that a August 10 trip by Nami and Iacovou to inspect the crossing point and proposed routes had "gone quiet well" (Cibor and UNFICYP Head Taye-Brook Zerihoun accompanied the group). Cibor said that a feasibility study draft tender had been given to the sides; if they approve, the tender announcement would be on the street this week, with a bid awarded by mid-September. To sweeten the deal for both sides, the draft tender proposal reduces the deadline for the study from eleven to eight weeks, while including the requirement of "possible construction" along with reconstruction, indicating that the road may take the new T/C proposed route. Cibor agreed that the issue had calmed for the present and that the G/Cs, who want the road finished as soon as possible, would not risk delays by further fighting or carping at this stage. Cibor added that he had "no doubt" that the new, proposed route would take longer to construct since part of it will be built from scratch, whereas the old route already has a narrow, hard-pack dirt road with some tarmac in places. He also hoped that the land in question proved to be T/C or state land, not private G/C holdings. Nami, he said, assured Iacovou it was state land.

¶16. (C) Comment: The first reading lasted longer and proved harder than either leader and most observers expected. Both leaders were surprised and frustrated by the divergences on key issues and on a general lack of flexibility in the first round. They learned a lot about the shortcomings of the process they created, including the self-imposed need to find solutions with minimal, though often important, ad hoc input from outside experts. Most importantly, the leaders stuck at it despite bumps in the road. Downer has proven a steady hand and one that will be needed more frequently as the sides get jittery giving up old, untenable positions--as they must do if there is to be a solution. He has also proven adept at understanding the challenging local political environment

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that confronts both of the leaders every day. For the moment, the key will be, as Downer told Zorlu, to keep things calm and quiet till the talks recommence on September 3. End Comment.

Cohen